



Governor Steve Beshear's Public Pension Working Group Recommended Investment Actions

1. The investment committees of both Systems shall be composed of seven (7) members. The composition of the investment committees shall include:
 - a. Two (2) lay trustees of the KTRS Board and two (2) gubernatorial appointees to the KRS Board. These KTRS and KRS individuals must have investment experience as defined in section two (2) below;
 - b. Two (2) individuals with outside investment experience as defined in section two (2) below who would not be full Board members or Trustees and have no other responsibilities within the Systems. They would be selected by the respective boards; and
 - c. Three (3) members of each committee shall be other Board members or Trustees who are not required to meet the investment experience requirements defined in section two (2) below
2. Individuals with "investment experience" shall be defined as individuals, without conflicts of interest, who have at least ten (10) years of experience in any one or more of the following areas of responsibility:
 - a. A portfolio manager acting in a fiduciary capacity
 - b. A professional securities analyst or investment consultant
 - c. A current or retired employee or principal of a trust institution, investment/finance organization or endowment fund acting in an investment-related capacity
 - d. A chartered financial analyst in good standing as determined by the CFA Institute
 - e. A professor at the university level, teaching economics or investment-related studies
 - f. Any other professional with exceptional experience in the field of public or private finances.
3. System employees are prohibited from serving as voting members of the investment committees.
4. Each member of the Systems' investment committees shall participate in continuing education, on an annual basis, consistent with their investment consultant's recommendations of best practices in the pension industry.
5. Both Systems shall conduct an asset/liability modeling study to determine an asset mix that is broadly diversified among traditional and alternative asset classes immediately, and at least every 5 years hence, or more frequently if circumstances warrant such a study.
6. Both Systems shall limit active or passive external manager concentrations to not more than fifteen per cent (15%) of the market value of the fund.
7. Both Systems shall conduct a formal review of the Systems' administrative regulations, using the "prudent man" standard, to remove all regulations that impair the ability of the Systems to implement efficient investment portfolios and take other appropriate actions, as necessary.